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Message Text

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71
ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 SAM-01 AID-20 COME-00 EB-11 FRB-02 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 FEA-02

INT-08 CEA-02 DRC-01 /174 W
---------- 128647
R 112307Z FEB 74
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 010

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E.O. 11652: N/A
TAGS: EFIN, MX
SUBJECT: ECONOMIC POINTS FROM AMBASSADOR JOVA'S INITIAL CALLS ON MINISTERS OF COMMERCE & INDUSTRY, FINANCE & PUBLIC CREDIT, AND NATIONAL PARTIMONY

1. THE MINISTER OF COMMERCE WAS QUITE FRANK IN EMPHASIZING THE GROWING PAINS OF MODERNIZING A LARGE NATION IN HALF A CENTURY, POINTING OUT PRINCIPALLY UNEVEN RURAL/URBAN GROWTH ("AN AGRICULTURAL WORKER IS ONE-FIFTH AS PRODUCTIVE AS AN INDUSTRIAL WORKER; ONE-SIXTH AS PRODUCTIVE AS ONE IN THE SERVICE SECTOR.") AND MALDISTRIBUTION AND CONCENTRATION OF INCOME. IN CONNECTION WITH THE LATTER, HE SAID THAT THE UPPER CLASS HAD TRADITIONALLY SEEN THE GOM AND ITS REFORMS AS HOSTILE, BUT HAS NOW RECOGNIZED ITS INTEREST IN A "REALISTIC" ARRANGEMENT OF THE NATION'S ECONOMIC LIFE AND THEREFORE ITS SOLIDARITY WITH THE GOVERNMENT.

2. THE MINISTER SATED THAT MEXICO EXPECTS A 4 PERCENT REAL RATE OF GROWTH OF GDP FOR CALENDAR 1974, BUT THAT IF ECONOMIC ACTIVITY CAN BE MAINTAINED, 1975 AND 1976 WILL BE BETTER (PRESUMABLY NORMAL) AND MORE "REALISTICALLY" BASED (PRESUMABLY
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A REFERENCE TO REDUCED SUBSIDIES). HE MENTIONED FAVORABLY A

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RECENT IDB REPORT ON MEXICO'S ECONOMIC GROWTH. THE MINISTER SAID THAT HIS MOST IMMEDIATE WORRY AS REGARDS MEXICO/US RELATIONS WAS THE SUPPLY BY THE US OF BOTTLED GAS TO NORTHERN MEXICO. HE WAS WORRIED THAT THE BASE PERIOD WOULD NOT PERMIT (INDUSTRIAL) GROWTH IN THE REGION. THE AMBASSADOR POINTED OUT THAT THE UNITED STATES WAS NOT CUTTING OFF THE SUPPLY AND NOTED AS A CREDIBLE BASIS FOR OUR FUTURE DEPENDABILITY OUR SELF-INTEREST AS AN IMPORTER OF PETROLEUM-BASED PRODUCTS ACROSS OUR COMMON BORDER. THE AMBASSADOR POINTED OUT THAT, SHOULD SUPPLIES GROW SHORTER, THE US COULD NOT BE EXPECTED TO TREAT MEXICAN CONSUMERS BETTER THAN ITS OWN CITIZENS. THE MINISTER AGREED THAT EQUITY WAS ALL MEXICO COULD REASONABLY EXPECT, BUT IMPLIED THAT HE ASSUMED THAT WE WOULD SHARE EVEN DECLINING SUPPLIES.

3. FINANCE MINISTER LOPEZ PORTILLO EMPHASIZED THE NEED FOR A GOLDEN RULE IN INTERNATIONAL ECONOMICS GIVEN THE INCREASING INTERDEPENDENCE OF NATIONS. HE PUSHED THE CHARTER OF ECONOMIC RIGHTS AND DUTIES AS A BASIS FOR MUTUALLY EQUITABLE RELATIONS, AND CITED THE RECENT EXPERIENCE OF THE DEVELOPED COUNTRIES AT THE HANDS OF THE OIL-PRODUCING STATES AS AN EXAMPLE OF THE TWO EDGED NATURE OF ECONOMIC PRESSURE. HE ESTIMATED AN INCREASE IN 1974 OF 65 TO 75 BILLION DOLLARS IN WORLD PAYMENTS FOR OIL IMPORTS. THE MINISTER ALSO NOTED THE EXTREME HARDSHIP WHICH THE OIL PRICE INCREASE WOULD WREAK ON THE LDC'S, CITING THE ADVERSE EFFECT ON BRAZIL'S ECONOMIC GROWTH. HE ALSO SAID THAT INDIA WOULD BE PAYING 80 PERCENT OF ITS FOREIGN EXCHANGE EARNINGS FOR OIL, A FIGURE WHICH HE RECENTLY EMPHASIZED TO THE CANADIAN ECONOMIC DELEGATION ALSO.

4. THE MINISTER'S CONCLUSION WAS THAT THE US SHOULD TAKE THE INITIATIVE ON CRISES LIKE OIL AND REFORM OF THE INTERNATIONAL MONETARY SYSTEM, BOTH BECAUSE OF THE LONG-RANGE BENEFITS OF INTERNATIONAL HARMONY AND THE POSSIBILITIES OF REVERSALS IN POSITION. AS EXAMPLES OF THE LATTER HE MENTIONED HIS ASTONISHMENT AT THE CHANGES BETWEEN THE NAIROBI AND ROME MEETINGS, AND PRINCIPALLY THE REVERSALS OF SURPLUS AND DEFICIT COUNTRIES.

5. MINISTER OF THE NATIONAL PATRIMONY FLORES DE LA PENA EMPHASIZED MEXICO'S NEED FOR SKILLED TECHNICIANS AND TECHNOLOGY TRANSFER FROM THE US. ON THE LATTER, HE IMPLIED THAT THE GOM AND AMERICAN LIMITED OFFICIAL USE

COMPANIES ARE MOVING AHEAD SMOOTHLY ON INVESTMENTS IN MEXICO. AND THAT OPPORTUNITIES EXIST FOR COLLABORATION BETWEEN GOM, MEXICAN BUSINESS AND FOREIGN INVESTMENT. HE SAID, HOWEVER, THAT WITH REGARD TO MINERAL EXPLORATION MEXICAN PRIVATE SECTOR WAS UNABLE TO TAKE RISKS INVOLVED. IN THIS CONNECTION HE REFERRED TO RECENT SIZEABLE CONTRACT BETWEEN GOM AND TEXAS GULF FOR DEV-ELOPMENT OF RESOURCES IN METALLIC MINERALS SECTOR.

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6 FLORES DE LA PENA SAID THAT IN GENERAL FUNDS WERE AVAILABLE FOR NECESSARY PROJECTS AND THAT MAJOR PROBLEM WAS SHORTAGE OF QUALIFIED TECHNICAL EXPERTS IN THE USA AS WELL AS IN MEXICO. HE REFERRED TO USE OF RETIRED FOREIGN EXPERTS AS HAVING BEEN OF CONSIDERABLE ASSISTANCE TO MEXICO AND SAID HE HOPED TO EXPAND USE OF SUCH EXPERTS.

7. FLORES DE LA PENA ALSO REFERRED TO PREVIOUS STATEMENTS HE HAS MADE REGARDING HIS PREFERENCE FOR DEALING WITH TOP OFFICIALS FROM HOME OFFICES OF AMERICAN FIRMS, SAYING THAT IN SEVERAL INSTANCES HE HAD BEEN ABLE TO WORK OUT WITHIN A FEW HOURS WITH HOME OFFICE OFFICIALS PROBLEMS THAT HAD BEEN PENDING FOR SEVERAL MONTHS IN DISCUSSION WITH THEIR LOCAL REPRESENTATIVES.
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